

Governor's Commission on
Economic Development & Job Creation



**FINAL REPORT:
ECONOMICALLY DISTRESSED
AREAS SUBGROUP**

**THURSDAY, SEPTEMBER 30, 2010
RICHMOND, VIRGINIA**



Members:

- Delegate Terry Kilgore (Chair)
- Delegate Danny Marshall
- Delegate Matthew James
- Harold Pyon
- Donna Johnson
- Donna Morea
- Steve Smith
- Bill Shelton (Expert Staff)
- Mary Rae Carter (Expert Staff)



Final Recommendations

- Consistent Definition of Economically Distressed
- Fully fund Virginia's Enterprise Zones
- Economically Distressed Areas Revitalization
- Virginia Agriculture Enterprise Zones
- Marketing of Virginia Agriculture Products



Consistent Definition of Economically Distressed Areas

- In order to effectively target state resources for community and economic development, Virginia must have a standard definition of “economically distressed” areas.
 - Governor's Development Opportunity Fund
 - ✦ Defines economically distressed areas as, “distressed areas can be defined by such factors as high unemployment or underemployment and negative economic forecasts”.
 - Major Business Facility Job Tax Credit
 - ✦ Defines economically distressed areas as, “An area shall qualify as economically distressed if it is a city or county with an unemployment rate for the preceding year of at least 0.5 percent higher than the average statewide unemployment rate for such year”.



Consistent Definition of Economically Distressed Areas

- Recommendation:
 - Virginia should establish a working group to analyze data and define “economically distressed” using the following criteria: Average Unemployment Rate, Median Adjust Gross Income, Persons in Poverty and Fiscal Stress of Locality.



Fund Virginia's Enterprise Zones

- Enterprise Zones are a significant tool in economic development arsenals across the nation.
- More than 38 states have an enterprise zone program including North Carolina, South Carolina and Maryland.
- In FY 2010, Enterprise Zone grants were prorated at .62 cents on the dollar (up from .46 cents on the dollar).
- In Virginia, the program is targeted toward distressed localities, as evidenced by high unemployment, a high percentage of students receiving free and reduced lunches and low household income.



Fund Virginia's Enterprise Zones

- Currently, there are 57 Enterprise Zones designated in VA.
- In 2010, 214 zone investors received \$10.6 Million in real property investment grants from the Enterprise Zone program.
- Private investment in qualified real property investments in Enterprise Zones totaled more than \$500 Million.
- Forty-one businesses received \$1.2 Million in Job Creation grants which created 923 net new full-time jobs.



Fund Virginia's Enterprise Zones

- Recommendation:
 - Fully fund the Enterprise Zone program. This funding will restore credibility to the program.



Economically Distressed Areas Revitalization

- To promote revitalization and economic development in distressed areas of Virginia, the Commonwealth should provide financial and tax incentives to enhance the economic feasibility of reusing vacant, abandon and derelict structures.
- State incentives will encourage private investment to rehabilitate buildings in older neighborhoods and commercial districts in Virginia.



Economically Distressed Areas Revitalization

- Virginia Main Street Program:
 - Promotes economic and physical revitalization of historic downtowns and neighborhood commercial districts.
 - Since 1985 when the program began, the program has had significant impact on designated communities:

Jobs created expanded or retained.....14,386

Small businesses created, expanded or retained.....4,926

Private investment\$638 million



Economically Distressed Areas Revitalization

- **Brownfield Cleanup & Redevelopment:**
 - “Brownfields” are often a major impediment to redevelopment in distressed areas, especially older cities.
 - The General Assembly adopted the Virginia Brownfield Restoration and Land Renewal Act in 2002, however no funding has been allocated.
 - Since August 2003, 60 sites have already utilized the Brownfield program for redevelopment representing than \$700 million in created value, along with hundreds of jobs created or saved.
 - With adequate funding for site assessment and/or remediation, many more sites would come into play as developers leverage the funding.



Economically Distressed Areas Revitalization

- **Industrial Site Revitalization Program:**
 - Many distressed communities throughout Virginia continue to be negatively impacted by the closure of manufacturing, textile, tobacco and furniture plants.
 - Virginia should consider providing direct financial or tax incentives to encourage investment in revitalizing these vacated structures.
 - North Carolina has a similar program and a report by the NC Department of Commerce reveals that rehabilitation and reuse of historic mills and buildings bring substantial benefits to North Carolina communities



Re-establish the Virginia Agriculture Enterprise Zones

- The Virginia Agriculture Enterprise Zone Act was passed by the 2005 General Assembly subject to funding in the subsequent appropriations act.
- Unfortunately, funding was not available and the Virginia Agriculture Enterprise Zone Program, which had General Assembly support, did not go into effect.
- The purpose of an Agriculture Enterprise Zone Program is to attract, promote, retain and encourage the expansion of agricultural and farm businesses involved in the growth, production, processing, manufacturing, distribution, wholesale and retail sales of agricultural and food products in designated areas in the Commonwealth.



Re-establish the Virginia Agriculture Enterprise Zones

- Recommendation:
 - The Subgroup recommends establishing a Virginia Agriculture Enterprise Zone Program to incentivize job creation and economic development in the agribusiness sector and funding to implement the Virginia Agriculture Enterprise Zone Program.



Marketing of Virginia Agriculture Products

- The total economic impact of agribusiness (agriculture and forestry-related) industries in Virginia is \$79 billion (approximately 9.9 percent of Virginia's gross domestic product (GDP)).
- The total employment impact exceeds 500,000 jobs, which makes up over 10 percent of the state's employment.
- Every job created in agriculture and forestry related industries results in another 1.5 jobs in the Virginia economy. Every dollar generated in value-added results in another \$1.75 value-added in the Virginia economy.
- Agriculture and forestry are a highly visible part of Virginia's economic base. Nearly 21 million acres, or 82 percent, of the commonwealth's total land area is forest, crop land, or pasture and range.



Marketing of Virginia Agriculture Products

- **Recommendation:**
 - Serving Virginia agriculture products at all state sponsored events .
 - Continued expansion of international marketing of Virginia agriculture and forest products through new marketing offices .
 - Providing additional support for VDACS' Virginia Grown and Virginia's Finest marketing programs.
 - Enhancing tourism promotions for the many diverse agriculture industry events, activities, and products.